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ADMINISTRATIVE AND BUDGETARY MATTERS

**Fund of the United Nations International Drug
Control Programme**

**Proposed final biennial support budget for 1996-1997 and
proposed initial biennial support budget for 1998-1999**

***Report of the Advisory Committee on Administrative
and Budgetary Questions*****

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Executive Director of the United Nations International Drug Programme (UNDCP) on the proposed final biennial support budget for 1996-1997 and proposed initial biennial support budget for 1998-1999 of the Fund of UNDCP (E/CN.7/1997/14), in advance copy form. The Committee also had before it an advance copy of the report containing the proposed final programme budget for 1996-1997 and proposed initial programme budget for 1998-1999 (E/CN.7/1997/15), as well as the compendium of ongoing projects by programme for the bienniums 1996-1997 and 1998-1999 (E/CN.7/1997/CRP.18). During its consideration of the reports the Committee exchanged views with the Executive Director, Deputy Executive Director and other senior officials of the Programme, who provided additional information.

*E/CN.7/1997/1.

**This document has not been edited.

Budget format

2. The Advisory Committee welcomes the new budget presentation of UNDCP, in line with the harmonized budget model developed by UNDP, UNICEF and UNFPA, and the introduction of the integrated programming approach as recommended by the Advisory Committee and the Commission on Narcotic Drugs. The goal of this new approach, described in detail in Annex III of document E/CN.7/1997/14, is to facilitate clear identification of programme funds as well as funds allocated for the support of activities. The Committee believes that this presentation should further enhance the exercise of control and improve management practice. Furthermore, the Committee recommends that in future the support budget document should include a brief summary of the programme and the related financial requirements.

3. The Committee welcomes the streamlining of the presentation as well as the information provided as an annex to the document to support the presentation. The Committee notes that, as recommended by it, efforts have been made to avoid repetition through lengthy descriptions of data already summarized in the tables. The Committee feels, however, that the document could be further improved in future by better explaining the programme support estimates in terms of the level of the programme to be implemented.

Income and expenditure projections

4. An overview on the budget and the current and projected financial situation of UNDCP are provided in tables 4 and 5 of the support budget document. As indicated therein, income for 1996-1997 amounts to \$109,912,000 and expenditures are estimated at \$109,429,200. The Committee also notes that for the 1998-1999 biennium, income is estimated at \$116,394,000. This figure, as shown in table 6, includes estimated contributions of \$100,289,000; incorporating \$27,559,000 for general-purpose contributions, which decrease by 9.6 per cent compared to those for 1996-1997, and \$72,730,000 for special-purpose contributions, which increase by 14.3 per cent. Public donations are estimated at \$1,338,100, compared to an amount of \$1,378,000 for 1996-1997. Cost-sharing contributions, those provided by governments for implementation of their own projects under the national execution modality, increase from \$4,763,000 in 1996-1997 to \$8,107,000 for 1998-1999, with one country accounting for most of the contribution for a particular project.

5. The Committee further notes that expenditures are projected at \$148,573,200 for the coming biennium. Furthermore, as shown in table 5, the Fund balance is expected to decline from \$63,337,900 at the end of December 1995, to \$29,666,800 as of 31 December 1999. The donor base continues to be small despite vigorous fund-raising activities and, in view of the downward trend in general purpose contributions, the Committee agrees "that the financial situation remains volatile and limits the operational flexibility of the Executive Director to launch new operations in international drug control" (paragraph 14 of Part Two of the report). The Committee points out that the downward trend in the balance constitutes a financial risk to the Programme after 1999.

6. In this connection, the Committee welcomes the fund-raising initiatives, such as the appeal for an additional annual general-purpose contribution of \$300,000 each from current and potential donors mentioned in paragraph 17. The Committee notes that so far the results of this initiative have not led to an enlargement of the donor base. The Committee encourages the Executive Director to further pursue his efforts in this regard. Furthermore, the Committee reiterates the recommendation made in paragraph 15 of its report (E/CN.7/1997/10) regarding the desirability of obtaining from Member States a portion of the value of confiscated drug proceeds, as agreed in the 1988 United Nations Convention.

7. The Advisory Committee, in paragraph 16 of the same report, recommended that the Executive Director report on the adequacy and use of the reserve in the context of future budget submissions. In this connection, the Committee notes, that following a review of potential requirements, the Executive Director in paragraph 13

of Part Two recommends maintaining the level of \$12,000,000 to ensure the viability and integrity of the fund. As indicated therein, the operational reserve "covers downward fluctuations or shortfalls in resources, uneven cash flows, increases in actual costs as compared to planning estimates or fluctuations in delivery, and contingencies such as staff separation costs and other final expenditures, including liquidation of liabilities". The Committee agrees with this proposal.

Final support budget for 1996-1997

8. The final biennial support budget for 1996-1997 is contained in Part Three of E/CN/1997/14. As indicated in paragraph 25 and tables 7 and 8, the final support budget for the biennium 1996-1997, amounting to \$32,272,400, reflects an increase of \$149,700 or 0.5 per cent, as compared to the previous revised support budget. This amount includes a decrease for volume changes of \$299,900 or 0.9 per cent compared to the approved revised appropriation, resulting, as indicated in paragraphs 26-27 of the report, from savings in travel (\$49,000) and furniture and equipment (\$57,00) at the programme support/country level, and savings in consultants and experts (\$97,500), travel (\$52,600) and other expenditures (\$149,800) at headquarters/management and administration. These are partially offset by increases in general operating expenses at the programme support/country level (\$106,800).

9. The decrease in volume is partially offset by an increase for cost changes of \$449,600 or 1.5 per cent. As seen in table 8, a large part of the increase in volume is staff-related, amounting to \$646,600 in relation to programme support at headquarters and country level (\$134.4 and \$512.2 respectively). This increase results in great part from higher standard salary costs for country offices and lower vacancies at headquarters and country offices, as indicated in paragraph 28 of Part Three. The Committee further notes that changes in exchange rates and inflation at headquarters and country offices account for a decrease of \$174,400 and \$22,000 respectively.

10. The Committee welcomes the performance indicators presented in table 4 of Annex I indicating outputs planned and delivered for the biennium, comparing a number of 2,606 programmed outputs to 3,099 outputs projected to be delivered at the time of submission of the report. The Committee received further clarification that these numbers reflected shifts in activity rather than indicators of performance. The Committee notes that these indicators were initially developed as an internal management tool. However, it recommends that the methodology used be further refined in order to improve the accuracy of the performance indicators with a view to facilitate the preparation of more realistic support cost estimates.

11. In view of past experience, the Advisory Committee is of the opinion that the increase of \$149,700 proposed in relation to the final support budget for 1996-1997 could be funded from savings related to unliquidated obligations.

Initial programme budget for 1998-1999

12. The Committee notes, as indicated in document E/CN.7/1997/15, that the proposed initial programme budget for the biennium 1998-1999 amounts to \$110,502,000, reflecting an increase of 40 per cent in real terms over the proposed final programme budget for 1996-1997 of \$74,542,900. The Committee also notes, as indicated in paragraph 17 of the same document, that UNDCP is moving from a project-based to an integrated programming approach and that 8 separate programmes are now proposed, organized by geographical region. The strategic orientation for the biennium 1998-1999 is summarized in paragraphs 34-48 of the programme budget. The Executive Director further indicated, during the meetings with the Committee, that three programme priorities are proposed for 1998-1999: the launch of a major alternative development programme in Afghanistan and the establishment of a security belt around Afghanistan, the expansion of activities in Myanmar to fight the production of illicit drugs, and the implementation of a new drug control strategy in

Africa. Furthermore, the Committee also notes that in line with the recommendation made in paragraph 40 of its previous report (E/CN.7/1997/10), the Executive Director considers it appropriate to maintain the role of the Commission on Narcotic Drugs in approving the Fund programme budget and that a draft text is presented in the document dealing with UNDCP's programme budget.

Initial support budget for 1998-1999

13. The proposed initial support budget for the biennium 1998-1999, as indicated in Part IV of E/CN.7/1997/14, amounts to \$34,292,200, reflecting an increase of \$2,019,800 or 6.2 per cent over the 1996-1997 final support budget of \$32,272,400. In real terms, this corresponds to a 3.2 per cent increase. The Committee also notes from table 9 and paragraphs 82-88 that the Executive Director's proposal reflects a volume increase of \$1,052,400, and a cost increase of \$967,400. The volume changes reflect the Executive Director's vision of a "decentralized, focused and leaner" new organization, as indicated to the Committee during its consideration of the proposed budget.

14. The three priorities of the support budget, which reflect the management changes of the Executive Director for the next biennium, are summarized in paragraph 83 of that report: first, the decentralization of programme management from headquarters to the country level in support of a projected increase in programme implementation, with new offices in South Africa, Russian Federation and Viet Nam, as well as a liaison function in Brussels; secondly, the establishment of advocacy groups composed of renowned experts from the private and public sectors in Brazil, Canada, Colombia, Germany, Italy, Japan, Mexico and Spain; third, the abolition of administrative layers, reduction in the numbers of senior officials and a 25 per cent cut at headquarters in travel funds.

15. The increase in cost changes, mentioned in paragraph 13 above, results from increases related to higher standard salary costs (\$721,200 at country offices and \$123,200 at headquarters), and inflation adjustments (\$445,500 at country offices and \$142,600 at headquarters); which are partially offset by a decrease in relation to inflation rates of \$302,500 at headquarters and \$162,600 at country offices.

16. As recommended by the Advisory Committee, in paragraph 21 of its previous report, and by the Commission on Narcotic Drugs, the support budget also reflects the regularization, as part of the biennial support budget, of several project posts carrying out functions of a continuing administrative or programme nature at headquarters, previously classified as project posts. Paragraph 21 and section D of annex III of the support budget document, indicate that 15 such posts have been transferred to the biennial support budget. The Committee notes that the result is an increase in the support budget of \$2,318,200, which includes \$1,043,100 for headquarters/programme support and \$1,275,100 for headquarters/administration and management, as indicated in paragraph 21 of annex III D. Table 7, Annex I, shows a total of 51 project posts for 1998-1999, of which 37 are at headquarters and 14 at the country level.

17. A total of 204 posts are therefore proposed for 1998-1999, compared to a total of 194 approved posts for 1996-1997, as shown in table 11. Programme support posts at the country level amount to 134, and at headquarters total 31 posts - for 1996-1997 they amounted to 122 and 42 posts respectively. Management administration posts amount to 39, whereas for 1996-1997 they totaled a number of 30 posts. The Committee was informed that 17 posts had been transferred from headquarters to the field as part of the decentralization effort, and it is aware that 15 posts have been added to the support budget as mentioned in paragraph 16 above. The Committee believes, however, that the goal for streamlining administration and management support at headquarters still remains to be fully accomplished since the goal of the exercise mentioned in paragraph 14 above was to streamline those services by abolishing administrative layers and reducing the number of senior-level posts.

18. The Committee also believes that programme management and administrative efficiency require further attention in light of the information provided regarding support services for 1996-1997 and 1998-1999. For example, paragraph 81 and page 75, respectively, of the support budget report, indicate for the current biennium the processing of 1,200 allotments and allocation advices, 800 reviews of quarterly expenditure reports, and 300 travel authorizations, among others. While the number of outputs may seem to indicate excessive monitoring, the Committee also understands that 84 per cent of the contributions are tied to special purpose funds for 1998-1999 and that this situation, combined with the fact that UNDCP implements a large number of small projects, give rise to such a large number of outputs indicated under support services. The Committee believes, however, that further careful analysis may indicate where streamlining of the support services can be effected without affecting the monitoring capacity of UNDCP. It recommends, therefore, that the Executive Director further explore with donors ways and means to address this issue.

19. Paragraph 126 and table 9 indicate an amount of \$8,886,500 for management and administration for 1998-1999, including a volume increase of \$1,130,700 or 14.4 per cent. In this regard, the Committee notes the establishment of "an external relations function to increase awareness among decision makers and the general public of the problem of drug abuse and supporting the proposed advocacy group at the country level, resulting in an increase of \$921,700 for post requirements and \$54,000 in non-post requirements". A description of the activities and staffing resources required is contained in paragraphs 128-130 and table 11. The staffing component consists of five posts (1 P-5, 1 P-3, 1 P-2, 1 PL and 1 GS). The Committee was informed that this function was previously carried out by project posts. The Advisory Committee recommends that the Executive Director review this issue and, in the context of his next report, indicate whether these functions could be carried out by other units or branches, such as the one dealing with inter-agency coordination, which has a staffing component of six posts and whose functions seem somewhat related.

20. In paragraphs 34-37 of its previous report E/CN.7/1997/10, the Advisory Committee addressed the question of recovery of programme support costs, and recommended UNDCP carry out further work to identify the total costs incurred in support of nationally executed projects. The Commission on Narcotic Drugs, in its resolution 15 (XXXVIII), requested UNDCP to submit proposals on how to modify the presentation of the programme support budget and apply the arrangements for applying such charges. The results of this review are contained in Annex IV of the support budget document. The Committee notes that the Executive Director indicates that nationally executed projects "require more intense - and more frequent - monitoring than other types of projects in view of implementation difficulties, requiring staff time, travel and communications" (paragraph 7), and that "from UNDCP's experience, nationally executed projects require more staff time than other projects, for example, for follow-up on financial reporting" (paragraph 9). Furthermore, in paragraph 10 of the report it is indicated that although the national-execution modality "requires significant resources for programme support, the partnership that evolves between the national authority and UNDCP has as positive by-products the development and strengthening of national capacities to develop, manage and monitor technical cooperation activities in drug control".

21. Against this background, in paragraph 12 of the report, the Executive Director recommends maintaining programme support charges at the five per cent level, taking into account the fact that United Nations agencies limit such charges for nationally executed projects at that level, and that the Commission on Narcotic Drugs approved this charge as the provisional rate for those types of projects. It is nevertheless recognized therein that, as a result, programme support proceeds will increase to 7.5 per cent of total programme implementation in 1998-1999, yet total programme support requirements amount to 17.2 per cent of total resource utilization (11.0 per cent for country level and 6.2 per cent for headquarters).

22. The Advisory Committee recommends that this issue be monitored very closely and reviewed in the not too distant future in terms of cost effectiveness, so that UNDCP does not find itself in a funding position in which it will not be able to bear alone such high overhead for programme support.

23. The Commission on Narcotic Drugs supported, in paragraph 13 of its resolution 6 (XL), the revised draft financial rules of the Fund of UNDCP submitted by the Executive Director in Annex I of document E/CN.7/1997/8, noting that the recommendations set out in paragraph 42 of the Advisory Committee's report (E/CN.7/1997/10) should be taken into account. In this connection, the Committee notes, as indicated in paragraph 19 of Annex IIIB of the support budget document, that the UNDCP considers prudent to await the approval of the proposed budgets before resubmitting the draft financial rules, which will require some minor adjustments. Resubmission would thus occur at the forty-first session of the Commission, after review by the Advisory Committee.

24. The Committee notes, as indicated in paragraph 127 of the report, a provision of \$1,689,500 under other expenditures, which includes an amount of \$269,500 for the reimbursement of auditing services provided by the Office of Internal Oversight Services to the Fund of UNDCP. The Advisory Committee requests the Executive Director to provide information, in the context of his next submission, on the arrangements concerning external audit.